

August 11, 2004

Attn: Paul B. Baker  
State of Utah  
Divisions of Oil, Gas & Mining  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

Re: Acreage Exceedance

Dear Mr. Baker:

We understand that according to your letter we have exceeded the disturbed acreage from 12.6 acres to 16.7 acres. Therefore, we propose a two-fold solution.

First, our plan to reclaim the disturbed area is on tract per your recommendation for fall of 2004. We had originally planned to complete that reclamation in the spring; however, we followed your suggestion to wait for fall when the weather conditions were better. Those plans are still on schedule and our intent is to have reclamation completed by the last of November.

Secondly, since we exceeded the allowable acreage unintentionally, we are considering increasing the bond by \$10,000 to insure that this problem does not occur again in the future.

We sincerely hope this plan meets with your approval and we await your reply. If we can answer any other questions please feel free to call.

Sincerely,

*Karen Palmer*

Karen Palmer  
President

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DIV. OF OIL, GAS & MINING

